

Update



Corps and Southwestern Host Power Conference

by Jake Gage

On December 16, and 17, 1997, a Corps of Engineers (Corps)/Southwestern Power Administration (Southwestern) Federal Hydropower Conference was held in Tulsa. The goal of the conference was to increase understanding and facilitate better coordination among the participating organizations. Representatives from the Southwestern Division and five Districts of the Corps, Southwestern, Southwestern Power Resources Association (SPRA), and Southwestern customers were in attendance. They discussed a wide range of issues and challenges related to the generation, transmission, marketing and operation and maintenance of Federal hydropower within Southwestern's service area and the entire electric power industry. In addition, the representatives were briefed on the status of the Southeastern Power Administration's (SEPA) alternate financing proposals.

The conference began with opening remarks by Colonel Timothy Sanford,

Tulsa District Engineer, and Administrator Michael Deihl. Colonel Sanford stated that even in the face of shrinking budgets, the Corps must respond to the nation's needs and must change to meet tomorrow's challenges while still satisfying its customers.

In his remarks, Administrator Deihl stated that Southwestern had to be concerned not only with the generation of hydropower, but also the operation and maintenance of the transmission system. Southwestern has a responsibility to deliver power and energy to its customers, but needs the Corps' assistance to do so. He pointed out that Southwestern has 93 customers that serve 5.8 million people in its service area. "We need to keep in mind that everything the Corps and Southwestern do related to the generation and transmission of hydropower is ultimately paid for by the customers through their rates."

Craig Chapman, Hydropower, Corps of Engineers headquarters, Washington D.C., first speaker on the second day, stated that hydropower makes up approximately 12% of the nation's power supply and that Corps dams generate approximately 23% of this hydropower. He went on to say that at present only the Bonneville Power Administration has authority to

accept funding from its customers for hydropower O&M and additions. However, a current proposal from SEPA is being reviewed which would allow its customers to pay for specific improvements. Action on this proposal is anticipated sometime in 1998.

Next, Mr. Ted Coombes, Executive Director of SPRA, provided an overview of the organization and noted that its primary function is to represent its customers. He stated that within Southwestern's six-state service area, there is a total of 12 Senators and 45 Congressional representatives.

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Doug Perrin, Ft. Worth District, Jim Sherwood, Southwestern, Keith Thonen, Little Rock District and Dwight Quarles, Ft. Worth District discuss highlights of the Power Conference.

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Southwestern Update

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Jerry Martin
Sharren Ramsey
Jim Sherwood
Cathy Stillson
Larry Yadon

Current pinions

"Times They Are A-Changin' . . . "

by Mike Deihl

This is traditionally the time of the year to reflect back and then talk about the upcoming year. Not that last year's accomplishments were insignificant, but I want to look forward and focus on 1998. What would you think if you were the CEO of a major corporation at an annual conference with your fellow industry leaders and the keynote speaker opened with, "Three years from now, 50 percent of you will not be in this room. One third of your customers will leave automatically when they are able to choose an alternative supplier." This is what Kenneth Medlin, General Manager of AT&T, told a recent audience of energy industry employees. Mr. Medlin's statements are based on real world experience in the telecommunication business when it experienced deregulation. This is exactly what is happening to the electrical utility business today! Stack on top of this the demands of being a Federal agency and you have more of a challenge than any non-federal power company!

Southwestern has recently restructured rates and filed an open access tariff with FERC to comply with the intent of Order 888. We have elected to participate in the Southwest Power Pool's region wide tariff and continue to support the establishment of an Independent System Operator (ISO). This is changing the entire way we have done business for the past 54 years. It will require us to continue to find ways to lower our operating costs to maintain our competitive rates. Southwestern has the lowest overall rates for federal power in the nation. We intend to keep it that way while maintaining a reliable system that operates safely and is sensitive to our environment.

Southwestern is also functionally unbundling our organization to operate in the merchant power arena as provided under FERC 889. We are offering up leases for dark optical communications fibers and microwave tower space, continuing to join efforts with other Federal agencies to reduce overhead, and signing agreements with customers to help with right-of-way clearing. These and other efforts are all new frontiers that will strengthen our strategic position.

We need to increase the involvement of all our employees, customers and stakeholders in innovative ways. Strengthening the partnership with our customers and the Corps of Engineers took a big step on December 16. For the first time in our history, Southwestern, Southwestern Power Resources Association and representatives from six Corps of Engineers districts and Washington DC assembled in Tulsa to educate, communicate and discuss the need to work better and smarter in a united way to make the Federal power program function better than ever.

1998 needs to be the year that we throw old baggage away, open communications, increase the trust and work together in new and innovative ways. We can't hang on to the old and expect to survive. I strongly believe we are living in the most exciting times this industry has ever seen and there are unlimited opportunities out there that can only be experienced by a PMA that is "willing to go where we have not gone before" . . . and I think the crew of *Southwestern* is very capable and will meet this challenge. 💧

Retail Deregulation: State of the States

by Tracey Hannon

Interest in the deregulation of the electric industry has swept across the country within the past couple of years. In fact, only four states (none in Southwestern's region) indicate no significant deregulation activity at present. Southwestern, although not subject to retail deregulation, is aware of interest in the status of such activities within its region. The following is a summary of retail electric utility deregulation activities occurring in 1997 for the six states within its marketing region:

Arkansas

- In April 1997, a legislative group was established to study deregulation within the state, with a final report anticipated by 1999.
- Last fall the Arkansas Public Services Commission held hearings on Entergy Arkansas Inc.'s plan for utility deregulation.

Kansas

- Current law prohibits retail wheeling¹ until 1999.
- In October 1997, the Legislative Retail Wheeling Task Force issued a draft restructuring bill which calls for retail access and retail competition after July 2001.
- New legislation is under preparation for the 1998 session.

Louisiana

- In August 1997, the Public Utilities Commission opened a docket investigating whether or not electric restructuring is in the interest of the public.
- In September 1997, Entergy New Orleans submitted a plan seeking a 6-year transition to retail competition.
- Legislation proposing retail choice by January 1999 has been deferred until the 1998 session.

Missouri

- A regulatory study is underway with a report due by February 1998.
- The Public Utilities Commission rejected one pilot industrial open-access program, but approved a limited program for two Investor Owned Utilities .
- All restructuring bills proposed before the state legislature in 1997 failed to pass.

Oklahoma

- Senate Bill 500 was enacted in April 1997. The bill calls for retail competition by July 1, 2002. It also provides for the study of technical, financial, and consumer-related issues with reports due before September 1, 2000.

Texas

- The Public Utilities Commission recommends a phased-in approach to the legislature concerning electric deregulation.
- An Independent System Operator² was authorized by the Public Utilities Commission, and became operational in July 1997.

On the wholesale side of the deregulation issue, the Federal Energy Regulatory Commission issued Order Nos. 888 and 889 requiring transmitting utilities, primarily Investor Owned Utilities, to provide open access to their transmission systems equivalent to the service they provide for themselves. Most municipalities and cooperatives, and the power marketing administrations do not fall under the jurisdiction of these FERC Orders. However, Southwestern Power Administration and Western Area Power Administration recently filed Open Access Transmission Service Tariffs (Tariff)

under non-jurisdictional dockets. For more information regarding these issues, see related article, "1998: A Brave New World for Southwestern" on page 8. 💧

¹ Often called "retail access" or "consumer choice," retail wheeling would allow retail electric customers to shop around and choose the company they want to provide their electricity.

² An Independent System Operator operates the combined transmission systems of several utilities as one system to provide access to a large regional system.

The Update plans to feature a series of articles by various authors on the diverse aspects of Electric Utility Deregulation. Articles will consist of, but not be limited to, such topics as the status of deregulation among the states, common questions about deregulation and restructuring, and possible effects of deregulation on the utility industry and its consumers. If you have a topic you would like covered, a question you would like answered, or information that may be of interest, please write to:

Public Affairs
Deregulation Topics
c/o Southwestern Power
Administration
P.O. Box 1619
Tulsa, Oklahoma 74101-1619

Southwestern may decide to choose from topics or questions submitted, but reserves the right to refrain from doing so. Articles published which are editorial in nature reflect the opinion of the author and do not necessarily reflect the position of Southwestern Power Administration. 💧

Leadership Programs Enhance Employee Opportunities

by Sharon King



Valencia

Personnel Updates

In Memoriam

Sharon McKinley,
Division of Engineering and
Planning - Tulsa

Retired

Barbara Baird,
Accountant - Tulsa

David Dossett,
Environmental Protection
Specialist - Tulsa

John Hartung, Electronics
Engineer - Springfield

Arthur Matthews,
Electrician - Jonesboro

Gene Putman, Electronics
Technician - Springfield

Margaret Skidmore,
Personnel Management
Specialist - Tulsa

Brenda Weir, Administrative Of-
ficer - Jonesboro

New Hires

Dwight David, Electrician
Helper, Springfield

Curtis Hunt, Equipment
Operator - Springfield

Lamon Kaiser, Lineman -
Springfield

Claude Lackey, Equipment
Operator - Springfield

Renice Roland, Clerk, Tulsa

Beverly Yenter, Civilian Pay
Technician - Tulsa

Reassignments

Dale Brothers, Electrician
Helper - Springfield

James Wales, Power System
Dispatcher - Springfield

Two different leadership programs proved valuable for three Southwestern employees during 1997. Randy Staponski and Carlos Valencia were participants in the Southwestern-sponsored Leadership Enhancement Program (LEP), while Paula Cheney took part in DOE's New Leader Program (NLP).

Requirements for participation in the two programs are similar. Both are available to permanent Federal employees in specific grades, the LEP for GS-9 through GS-13, the NLP for GS-7 through GS-11. The NLP is a six-month program, while the LEP consists of 18 months. Mobility for developmental assignments is a requirement for participation in both programs.



Cheney

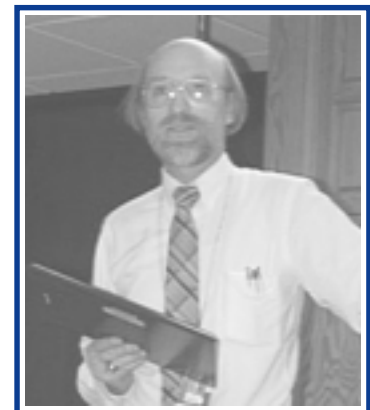
The NLP emphasizes the importance of team building and participation. Paula took part in three week-long training sessions, where each time she was a member of a team consisting of eight trainees.

A demonstration of effective teamwork was a requirement for her "graduation" in August. Her final project assignment was a detail with the United Way of Tulsa for the month of October. There she became versed in the marketing, financial and administrative procedures of a non-profit organization.

The developmental assignment requirement of the LEP is largely determined by the individual; Randy Staponski chose to study and observe the changes in the electric industry caused by deregulation. The assignment consisted of interviews with private and municipal managers and time with the Southwest Power Pool as well as UtiliCorp, an investor-owned utility headquartered in Kansas City. It was a revelation to Randy and to a number of private company employees that they shared common interests and problems and were more alike than different.

Carlos Valencia's developmental assignments took him to the NASA offices in Cleveland, Ohio, the Argonne National Laboratory and the National Acceleration Labroatory, both located outside Chicago. Each of his assignments provided him valuable experience in project management techniques.

All three employees emphasized that they benefited greatly from participation in the programs. They developed better team skills and leadership capabilities. The commitment to the programs was demanding; the rewards are many. 💧



Staponski

New Creative Tool Eases Conflicts

by *Laurence Yadon*

Southwestern has launched an innovative program designed to solve employment disputes by the use of Alternative Dispute Resolution (ADR) to avoid the court system when possible. The new Dispute Resolution Program will employ arbitration and mediation, each of which involve the use of a neutral third party. Arbitration refers to the process in which two or more persons bring a dispute to a

Arbitrations and mediations generally can be completed in a matter of weeks, rather than the months or even years which can be consumed in trial litigation and appeals.

neutral (Arbitrator) for a brief, informal hearing after which the Arbitrator issues a Decision resolving the dispute. Mediation on the other hand provides an informal means by which two or more persons may explore ways to resolve their differences and reach a voluntary agreement through a neutral (Mediator) who has no authority to decide who is right or wrong, or otherwise effect the outcome. During mediation, the parties themselves set their priorities and make all decisions. Arbitrations and mediations generally can be completed in a matter of weeks, rather than the months or even years which can be consumed in trial litigation and appeals.

The Dispute Resolution Program (DRP) was developed as part of a 1997 cost savings initiative of Southwestern's Quality Leadership Team. The DRP is based on a similar program which has been used by the Brown and Root Engineering firm since 1992. Southwestern's program covers most disputes between employees or an employee and a supervisor. Matters involving collective bargaining, unemployment or worker's compensation, and matters already pending before the courts are generally excluded from the DRP.

Employees who participate may choose one of four methods of resolving disputes through the use of neutrals. First, an employee may choose to meet with an immediate supervisor, a higher level manager or a panel of managers in a structured conference. The meeting will be facilitated by a qualified Southwestern employee or outside neutral. Such conferences will normally take place within twenty days of a request. Alternatively, an employee may choose an informal advisor from a panel of trained volunteer employees or outside volunteers made available through interagency agreement. The advisor may use counseling, facilitation or mediation methods to help resolve the dispute but does *not* serve as an advocate for the employee. The third available option (with Southwestern approval) will be use of an employer-compensated or volunteer outside mediator selected from among local qualified providers or in consultation with national organizations such as the American Arbitration Association. Finally, compensated outside arbitrators may

be employed at the option (and expense) of Southwestern. The confidentiality of employees who participate in the Program will be protected to the full extent permitted by the Freedom of Information Act and other laws.

The Dispute Resolution Program provides Southwestern and its employees a cost effective, swift method of resolving disputes which otherwise might take months or even years to resolve. Any questions about the program should be directed to Southwestern's General Counsel Larry Yadon (918-595-6607) or Total Quality Process Manager Perry Henson. (918-595-6614). 💧

**1998 SPRA
ANNUAL
MEETING**



April 8-9, 1998

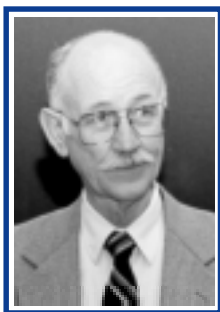
**Adam's Mark
Hotel**

Tulsa, Oklahoma

continued from page 1

As representatives of the consumers of Southwestern's hydro-power, Ron Wilson, Director, Marketing and Government Relations, Western Farmers Electric Cooperative; Jack Miller, Acting Vice President, Rates, Regulations and Planning, Cajun Electric Power Cooperative, Inc.; Don Shaw, Representative of Associated Electric Cooperative Inc.; and Larry Watson, General Manager and CEO, Paragould Light & Water Commission; emphasized that anything that impacts the cost of power needs to be looked at carefully. Deregulation and the new highly competitive market are two of the impacting factors. The next conference will be held in Tulsa some time in May. Issues addressed at the December conference will be discussed in greater detail. Other discussion topics will include customer finance, customer awareness, storage reallocation, switch-yard maintenance, and communications and microwave capabilities. Participants left the conference encouraged by the results achieved and looking forward to a continued cooperative, open and united front at future conferences. 💧

Leisure Suits Our Customers



John Garrett
Carthage Water
and Electric



Don Howland
Duncan Power
and Light

John Garrett Retires

by Woody Fugate

Having served more than 36 years with Carthage Water and Electric Plant, John Garrett retired on December 19, 1997. A reception in his honor was held on December 17 at the Carthage Power Plant. Many friends and business associates were on hand to wish John well.

John served in many capacities during his career at Carthage, having been Production Manager for the last 14 years. Beginning as a utilityman in 1961, John worked his way up through the ranks, amassing a good overall knowledge of the utility industry along the way. As a result, he was instrumental in the city's passing a \$12 million bond issue for water and wastewater which resulted in only a half-cent sales tax for its funding. John is known for his negotiating skills and expertise in the many aspects of power generation and purchasing.

He and his wife, Barbara, have two children and three grandchildren. They plan to travel "quite a lot" in the near future, including a good deal of time in the hills of John's native Arkansas. 💧

Don Howland Retires

by Jerry Martin

After more than 25 years with Southwestern's largest municipal customer in Oklahoma, Duncan Power and Light, Don Howland has retired. Southwestern has lost a friend and public power a strong and forceful advocate. Don's years at Duncan, 22 of them as General Manager, were characterized by many significant accomplishments. During his tenure the number of electric meters increased from 3,400 to 8,000, energy sales grew from 44,000,000 kWh per year to 164,000,000 kWh per year, and transfers into the General Fund of the City of Duncan exceeded \$3,000,000. Although today Duncan competes with both an investor-owned utility and a rural cooperative, it serves approximately 70% of the local customers. Don was also a leading force in the construction of three new substations, improving and upgrading the city's distribution system, and establishing an effective Energy Conservation Program. He was instrumental in the creation of the Oklahoma Municipal Power Authority, a state-chartered joint action agency of which 15 Southwestern customers are members.

Don has been active in public power on national and local levels. In addition to serving on the Board of Directors for the Municipal Electrical Systems of Oklahoma, the Oklahoma Municipal Power Authority, and the Southwestern Power Resources Association, for seven years he was on the board of the American Public Power Association. He has received numerous awards for his distinguished service and plans to continue service on the SPRA Board and the Federal Power Marketing Committee.

Don has given his very best to the cause of public power; his friends at Southwestern wish him the very best in his retirement. 💧

Electronic Savings

by **Cathy Stillson**

The Debt Collection Improvement Act of 1996 was signed into law April 26, 1996. This law requires the use of electronic funds transfer (EFT) for all Federal payments, except tax refunds, beginning January 2, 1999. It was passed by Congress as part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134). Full implementation of the act is expected to achieve Government-wide savings of \$100 million a year. The Department of Treasury (Treasury) issues electronic payments for less than 2 cents compared to the average cost of 43 cents per paper check. Treasury is responsible for implementation of the new law and issuing the related regulations. Treasury's initiative is known as "Electronic Funds Transfer" or "EFT '99."

An interim rule issued July 26, 1996, outlined the payment requirements for all recipients who became eligible for Federal payments on or after that date. They will receive the payments by EFT unless they certify in

writing that they do not have an account with a financial institution.

Southwestern Power Administration (Southwestern) implemented electronic payment procedures in May of 1997, making the collection of bank information from vendors a condition of doing business for procurements made after the July 26, 1996 eligibility date. All vendors were notified of the requirement to receive payment by direct deposit, and individual contacts were made to vendors with procurement activity after July 1996. Southwestern achieved a positive response to those actions. For the quarter ended December 31, 1997, approximately 81 percent of the vendors paid during the quarter were paid by EFT. In calendar year 1998, Southwestern will take action to inform *all* recipients who still receive checks of the requirement to convert to EFT. This action will ensure compliance by the January 2, 1999 date. 💧

Executive Order Enables Transfer of Technology

by **Sharren Ramsey**

Southwestern, in cooperation with Executive Order 12999, contributed excess computers, software and printers to its adopted school, Carver, in 1996. Although the equipment may be slow and somewhat outdated, the students, some for the first time, are pleased to have the opportunity to learn more about computers at school.

Southwestern is one of many agencies taking advantage of this opportunity to provide America's youth with the tools needed to prepare to meet the challenges of the 21st century. Carver is only one of the schools to which equipment has been donated.



Carver Middle School students express their appreciation of the "Computer Lab" with a banner acknowledging Southwestern Power Administration.



Colonel Norton Joins Tulsa District

by **Sharren Ramsey**

Following tours in Germany and Italy, in August 1997, Lieutenant Colonel Lawrence (Michael) Norton was a welcome addition to the U. S. Army Corps of Engineers, Tulsa District. He and his wife, Jackie, and three children have settled in and are very pleased to live in the Tulsa area.

As the son of an army Colonel and with 21 years of service, Col. Norton has traveled extensively since childhood. Of his new role as Deputy District Engineer at the Tulsa District, Col. Norton said: "My job is to help keep the office running, support the organization, and provide good service to our customers." 💧



Update

1998: A Brave New World For Southwestern

by *Annette Hinshaw*

On December 31, 1997, Southwestern filed its open access transmission service tariff (Tariff) with the Federal Energy Regulatory Commission (FERC). On January 1, 1998, Southwestern's new rate schedules went into effect. With these two events, Southwestern entered the brave new world of learning how to play the game of "electric utility" by a new set of rules.

The process of restructuring the rates has been a gargantuan task. People from every part of Southwestern have been involved. Corporate Operations staff spent man-months in meetings trying to understand the new rules and fitting the rates into them. The new rate structures will affect every facet of the business, with sweeping changes in operations, rates, and billing. New structures had to be identified which allow Southwestern to operate with its utility neighbors. With basic decisions in hand, Rates and Repayment staff went into

overdrive to produce Integrated System Power Repayment and Rate Design Studies, including considering several different approaches to rate design, each of which required revising all the supporting documents.

Meanwhile, the people in billing, computers, and scheduling continued developing procedures to bring about implementation of the new rates. Customer Service staff developed new standard contracts to go with the Tariff. Operations, Engineering, Financial Management, Data Processing, the General Counsel's office and, last, but not least, the Washington Liaison Office, all had critical roles to play in seeing that the job got done.

There are still many implementation issues to work through on the new rates and the Tariff, but thanks to the cooperation of Southwestern and its customers, much has already been accomplished.

Note: Southwestern's Tariff and rate schedules are available on its website: www.swpa.gov. 💧